

Ageing Baby Boomers in Australia:

Informing Actions for Better Retirement

August 2012

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Australian Government

Department of Health and Ageing

Ageing Baby Boomers in Australia

Informing Actions for Better Retirement

August 2012

**Productive
Ageing Centre**

**National Seniors
Australia**

Foreword

A defining characteristic of present-day Australia is the large number of baby boomers – those born between 1946 and 1965 – who are retiring or approaching retirement from paid employment. Just as the baby boomers' previous major life events, such as being employed and childbearing, have significantly impacted on Australia's economy and society, so too will their transition to post-employment life.

It is therefore surprising that such little is known about baby boomers and their transition from working life to retirement. This report fills this research gap by examining the transition from a range of perspectives: the process of retiring and how this impacts on wellbeing and unpaid productivity in retirement, how people prepare for retirement and how this may impact on quality of life, and how retirees experiences compare with workers' expectation of retirement. The report also analyses how retirement expectations are shaped by the economic, social and policy context in Australia, and how it compares with the US.

Notable findings from the report include that good health, economic resources, and personal autonomy are very important in influencing how baby boomers transition, prepare and experience retirement. Further, baby boomers have been shown to be adaptable to challenging and changing economic and social conditions, such as the Global Financial Crisis and increasing longevity.

This is the final NSPAC report from the Ageing Baby Boomers in Australia (ABBA)¹ project. The ABBA project aims to generate a body of knowledge that informs constructive action for better retirement. It does this by drawing on existing datasets in Australia (Household Income and Labour Dynamics in Australia) and the United States of America (Health and Retirement Survey), and by collecting new Australian data on retirement planning and expectations.

The first report from ABBA, *My Generation: Are Australian baby boomers the retiring kind?* summarised existing knowledge about the retirement plans and expectations, and the second, *Ageing Baby Boomers in Australia: Understanding the effects of the global financial crisis*, examined the impact of the global financial crisis on the financial well-being of older Australians.

In addition to this final report, a list of the full outputs from the ABBA Project is available in appendix A. Future outputs will be updated and available from www.productiveageing.com.au

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August 2012

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Contents

| | |
|---|------------|
| Foreword | ii |
| Acknowledgements | iii |
| Introduction | 1 |
| Research aims of the ABBA Project | 2 |
| Methodology | 2 |
| Procedures – focus groups..... | 2 |
| Procedures – national telephone survey..... | 2 |
| Findings and Discussion | 3 |
| Determining the diverse pathways, timing, and processes of retirement from paid work, and their consequences for adjustment, well-being, and unpaid productivity after retirement. | 3 |
| Reasons for retirement | 3 |
| Timing of retirement: gradual or abrupt?..... | 5 |
| Retirement decisions: voluntary and involuntary. | 6 |
| Qualitative findings on retirement decision making | 7 |
| Effects of the retirement process on well-being..... | 8 |
| Summary | 8 |
| Identifying the key factors in retirement preparedness and its impacts on quality of life outcomes after retirement..... | 9 |
| How is preparedness related to retirement outcomes? | 9 |
| How prepared are working baby boomers for retirement? | 10 |
| How are working boomers preparing financially? | 10 |
| What factors differentiate those who are prepared for retirement from those who are not? | 11 |
| Summary | 12 |
| Identifying boomers' expectations for, and experiences of, retirement and the active strategies by which they attempt to achieve their retirement goals | 12 |
| Contrasting workers' expectations of retirement with retirees' experiences..... | 12 |
| Gender differences in retirement expectations | 13 |
| Expectations of health care | 13 |
| Summary | 14 |
| Assess how expectations for retirement are shaped by the economic, social, and policy context in Australia as contrasted with the United States | 14 |
| Conclusions | 16 |
| References | 17 |
| Appendix A: Outputs From The ABBA Project | 19 |
| Summary reports..... | 19 |
| Conference presentations..... | 19 |
| Doctoral Theses | 20 |



Ageing Baby Boomers in Australia

INTRODUCTION

Australia is being transformed by societal ageing, along with ongoing social, economic, and policy change. We are at a critical demographic turning point because the baby boom cohort—those born between 1946 and 1965—has begun to reach the traditional retirement age of 65 years. People now aged in their fifties will be bringing to later life a range of life experiences and expectations that are profoundly different from those of the Depression to WWII cohort who are now in later life. The baby boomers are the first generation to face the new ‘third age’ with its unprecedented expectation of a decade or two of relatively healthy life after retirement. Individuals, governments, and employers are becoming increasingly aware that baby boomers’ retirement from the workforce will have a major bearing on their own economic and social well being, as well as that of future generations. However, empirical evidence for informing a productive and healthy retirement is lacking in current research and the recent financial crisis has called what little we do know into question.

Two reviews of the Australian literature from 2005 to 2008 (Humpel, O’Loughlin, Wells, & Kendig, 2009; 2010) identified unique characteristics of the baby boom cohort, but also serious gaps in our knowledge of their expectations and experiences relating to health and retirement. For example, Humpel et al.’s (2010) review indicated that cancer is now the leading cause of death for 45 to 64 year-olds and that obesity rates are increasing. However, the review also indicated that boomers are working longer and with higher levels of disease co-morbidity. Private health insurance is now more common in this age group, but 40% of boomers

still rely primarily on Medicare and the public health system. Still, we have known little of boomers’ expectations for their future health, their healthcare needs, or who they expect to take responsibility for the health of our ageing society.

Humpel et al.’s (2009) review of key retirement issues indicated that boomers have a preference for retiring later and gradually. However, the effects of age discrimination and the influence this may have on boomers’ work plans are not widely understood. Moreover, the gender gap in superannuation is still apparent, with women expected to retire with half the level of superannuation of men. Most boomers expect their main source of retirement income will be their superannuation, with only 30 to 50% expecting their standard of living to decline. However, we do not know if their expectations and experiences have changed since the global financial crisis (GFC), or how they are preparing for retirement given the unstable economic outlook. Prior to the GFC, boomers felt that individuals and the government should be jointly responsible for financing retirement and that the government had a responsibility to continue to provide the Age Pension. Has this attitude changed since the GFC? Are boomers still confident that the government can fund retirements now and in the future? Finally, one of the enduring findings of previous research was a lack of attention paid to the impact of retirement on particular groups, for example women, and differences in retirement expectations and actual experiences when compared to men. Accordingly, this research has paid careful attention to gender in approaching each of the project aims.

Research aims of the ABBA Project

The ABBA Project aimed to generate an innovative and comprehensive body of knowledge to inform constructive action for better retirement. It did this by analysing an existing dataset in Australia (Household Income and Labour Dynamics in Australia, HILDA), and by collecting new Australian data on retirement planning and expectations through a national survey and focus group methodologies.

The specific aims of the ABBA Project were:

1. To determine baby boomers' diverse pathways, timing, and processes of retirement from paid work, and the consequences of these factors for adjustment, well-being, and unpaid productivity after retirement.
2. To identify key factors in retirement preparedness and its impacts on quality of life outcomes after retirement.
3. To identify individuals' expectations for, and experiences of, retirement and the active strategies by which they attempt to achieve their retirement goals.
4. To assess how expectations for retirement are shaped by the economic, social, and policy context in Australia as contrasted with the United States.

This report addresses these aims by summarising and expanding on research output from the project, including publications, submitted manuscripts and the thesis work of doctoral candidates Martin Snoke (University of Sydney) and John van Holstyen (La Trobe University).

Methodology

Procedures – focus groups

Participants for the focus groups were recruited from the National Seniors Australia (NSA) membership database. The study was advertised through NSA's media sources and members contacted research staff if they were interested in taking part in the focus groups. A total of 73 NSA members agreed to participate, forming 15 focus groups. Nine were held in capital cities, three in regional areas, and three in the Territories.

The focus groups were carried out between September and December 2008 when the GFC was starting to take effect. A semi-structured interview schedule enabled the participants to explore the meaning of retirement, their retirement planning, changes to superannuation, their health, and expectations of aged care. The interview schedule also focused on the effects of the GFC on the participants' lives, income, and expectations for retirement. The interviews took, on average, 90 minutes to complete and the data were coded and analysed using NVivo software.

Procedures – national telephone survey

Participants for the national telephone survey were recruited by random digit dialling in June–July 2009, which was approximately one year after the GFC took effect. Those between 50 and 64 years of age were eligible to complete the survey and only one respondent per family was interviewed. Stratification by state/territory was performed and each stratum was monitored for equal representation of gender and age.

A total of 1009 participants (67% response rate) agreed to take part in the survey. Retired boomers comprised approximately 33% of the sample (N=304) with paid and unpaid workers (N=705) making up the difference. Approximately equal numbers of men (47%) and women (53%) were represented in the sample.

The survey collected data on issues pertaining to health status, expectations of health care, social well-being, volunteer activities, retirement planning, and expectations of retirement. Specific questions also assessed the effects of the GFC on retirement plans, income, superannuation contributions, and expectations of paid employment.

Findings and Discussion

Determining the diverse pathways, timing, and processes of retirement from paid work, and their consequences for adjustment, well-being, and unpaid productivity after retirement.

Any discussion on the process of retirement must be understood within the complexity of the term 'retirement' itself. The telephone survey asked participants to define themselves as either retired or otherwise and levels of paid employment were assessed for both groups. This meant that participants' self-perception of retirement took precedence over more stark conceptualisations that define retirement simply as "not working for pay". Indeed, van Holsteyn's doctoral thesis research with the ABBA focus group data showed great variation in what was considered to be retirement and even distaste with the term itself:

“ It is a label and I don't want it, I don't think it's relevant to me. I may not be as young, I may not be as fit, I have my health, I haven't got too many things breaking down, joints and those sorts of things are in good functioning order, so I don't see why I would then label myself as retired because society says that because you are not working for a wage you've got (to) fit a label. ”

Other participants viewed retirement in a more positive light:

“ I've experienced 10 years of it (retirement) really now. And the one word that I'd use to describe is ... freedom.... You just have freedom to make your own decisions and your own choices. It doesn't matter what sort of paid work you do, or run your own business. You're not free. There's no, very little freedom in any sort of work. Well when you retire you just have that freedom. ”

These perspectives represent two ends of an attitudinal spectrum and highlight the kinds of diversity the ABBA project was aiming to capture about the processes of retirement. More specifically, we sought to uncover the different components of the retirement process and to determine how variations in the process may lead to perceptions of freedom or more negative outcomes including ageism, poverty, and poor health and quality of life. The following section details aspects of the retirement process (reasons for retirement, retirement timing, and retirement decision making) and shows how socioeconomic advantage and disadvantage are aligned with exit from the workforce. This section concludes by examining how the different components of the retirement process are related to health, well-being, and financial stability in retirement.

Reasons for retirement

In the telephone survey, those who self-identified as retired were asked whether their retirement was for financial, job-related, health, or family and lifestyle reasons. The workers answered the same question, but in their case they indicated their expected reason for retirement. The findings showed discrepancies between the factors that workers expected to affect their retirement decision and the factors that actually led retirees to exit the workforce. For example, Table 1 indicates that approximately 8% of retirees retired for financial reasons (e.g., having enough money to retire), compared to 43% of workers who expected to retire for this reason. Conversely, 45% of retirees left the workforce due to their own or their spouse's poor health compared to only 29% of workers who expect to retire for this reason. Similar discrepancies were also found for job related reasons (e.g., redundancy) and family and lifestyle reason (e.g., to have more time to oneself, to spend time with grandchildren). Moreover, these differences remained significant after accounting for poorer health status in workers compared to retirees.

The differences between retirees' experiences and workers' expectations were also consistent across gender. For example, Table 2 shows that similar proportions of female and male workers expected to retire for financial reasons and that this proportion was higher among workers than among retirees

regardless of gender. Considering Australia's uncertain economic climate, these discrepancies may lead to potential difficulties for workers who face an involuntary retirement. For example, few workers are expecting to be forced into retirement due to redundancy (i.e., job-related reason); however, forced redundancies have become more prominent following the global financial crisis (Al Bhadily, 2011). This means that those workers facing a forced redundancy are likely to enter retirement in an unprepared state (for further details see Noone, O'Loughlin, & Kendig, under review). Furthermore, the high proportion of male and female workers expecting to retire due to financial reasons suggests that they will retire when they can afford to. Indeed, van Holsteyn argued in his doctoral research that financial stability is a condition

for retirement rather than a pathway as such. It is these groups that may be disadvantaged in later life if they are forced into retirement due to job loss or poor health. Therefore it is important to understand some of the socioeconomic, social, and individual factors that may influence workers' expectations of retirement pathways.

Van Holsteyn's research and that of O'Loughlin, Noone, and Kendig (under review) indicates that socioeconomic status may play an important role in predicting expected retirement pathways. For example, Table 3 shows significant differences in retirement pathways according to occupational class, household income, and marital status, whereas gender had no effect. Those classified as blue collar workers (i.e., Sales, Technician and Trades Workers,

Table 1. Reported and Expected Reasons for Retirement According to Retirement Status

| | Financial reasons % | Job related reasons % | Health reasons % | Family and lifestyle reasons % | Total % |
|----------|------------------------|--------------------------|---------------------|-----------------------------------|------------|
| Retirees | 7.8 | 12.1 | 45.4 | 34.8 | 100 |
| Workers | 43.0 | 4.5 | 29.3 | 23.2 | 100 |

$\chi^2(3)=116.87, p<.001$

Table 2. Reason for Retirement by Retirement Status and Gender

| | Financial reasons % | Job related reasons % | Health reasons % | Family and lifestyle reasons % | Total % |
|----------|------------------------|--------------------------|---------------------|-----------------------------------|------------|
| Male | | | | | |
| Retirees | 10.7 | 13.7 | 49.6 | 26.0 | 100 |
| Workers | 46.4 | 4.2% | 27.7 | 21.7 | 100 |
| Female | | | | | |
| Retirees | 5.3 | 10.6 | 41.7 | 42.4 | 100 |
| Workers | 39.4 | 4.8 | 31.1 | 24.8 | 100 |

Male: $\chi^2(3)=59.8, p<.001$. Female: $\chi^2(3)=60.8, p<.001$

¹ **Financial reasons:** became eligible for the old age pension, offered reasonable financial terms to retire early or accept a voluntary redundancy, superannuation rules made it financially advantageous to retire at that time, could afford to retire / had enough income, spouse's / partner's income enabled me to retire. **Job reasons:** made redundant / dismissed / had no choice, could not find another job, fed up with working / work stresses / demands, pressure from employer or others at work. **Health reasons:** own ill health, health of spouse / partner, ill health of other family member. **Family or Lifestyle reasons:** partner had just retired or was about to retire, spouse / partner wanted me to retire, to spend more time with spouse / partner, to spend more time with other family members, to have more personal / leisure time, to look after children or grandchildren.

Community and Personal Service Workers, Machinery Operators and Drivers, and Labourers) were more likely to expect to retire for health reasons than white collar workers (i.e., Professionals and Managers) and less likely to retire for family and lifestyle reasons. The same patterns arose for survey respondents without partners (versus those with partners) and those with annual household incomes below \$75,000. However, it is important to note that although this research showed no gender differences in expected retirement pathways, population studies have indicated that women have lower educational attainment and incomes than men, tend to work in lower status occupations and are more likely to live without an earning partner. The finding of no gender difference in the current study may therefore be the result of a selection effect and should be considered with caution.

Timing of retirement: gradual or abrupt?

Recent decades have seen a shift away from full retirement at age 65 to gradual retirement through part-time work or even career shifts in the US (Adams and Beehr, 2003) and Australia (de Vaus,

Wells, Kendig, & Quine, 2007). A gradual rather than abrupt retirement may help prepare workers for life in retirement by freeing time for other pursuits, but with the benefit of still maintaining a pre-retirement income (Noone, Stephens, & Alpass, 2010). The findings from the ABBA survey showed that approximately 60% of workers expected to retire gradually, 30% expected to “retire fully at once”, and 10% were unsure. However, only 30% of retirees reported retiring gradually compared to 70% who left the workforce abruptly ($\chi^2(1) = 110.7, p < .001$). Nevertheless, there was no relationship between the timing of retirement and the reason for retirement for either workers or retirees. Furthermore, Table 4 shows that only occupation and education emerged as significant correlates of retirement timing, and only for workers. In these instances, blue compared to white collar workers and workers with lower education qualifications were the most likely to expect an abrupt retirement. In contrast, gender, income, marital status and health status were not associated with workers’ expectations of retirement timing or retirees’ retirement timing experiences.

Retirement decisions: voluntary and involuntary.

Table 3. Expected reasons for Retirement According to Socioeconomic and Demographic Variables (Workers Only)

| | | Financial reasons % | Job related reasons % | Health reasons % | Family and lifestyle reasons % | Total % |
|------------------|-------------------|------------------------|--------------------------|---------------------|-----------------------------------|------------|
| Gender | Male | 46.4 | 4.2 | 27.7 | 21.7 | 100 |
| | Female | 39.4 | 4.8 | 31.1 | 24.8 | 100 |
| Occupation*** | White | 43.8 | 6.2 | 21.4 | 28.6 | 100 |
| | Blue | 42.4 | 3.0 | 35.7 | 18.8 | 100 |
| Income*** | <\$75K | 42.6 | 3.8 | 41.1 | 12.5 | 100 |
| | >\$75K | 42.4 | 5.0 | 20.5 | 32.2 | 100 |
| Education | HS or Less | 43.7 | 4.1 | 34.2 | 18.0 | 100 |
| | Trade or tertiary | 42.7 | 4.7 | 26.8 | 25.9 | 100 |
| Marital Status* | Married/de facto | 41.7 | 4.4 | 27.8 | 26.1 | 100 |
| | Single | 46.6 | 4.5 | 33.5 | 15.3 | 100 |
| Health Status*** | Fair/poor/good | 44.1 | 4.0 | 36.3 | 15.6 | 100 |
| | Very good | 41.5 | 4.9 | 23.4 | 30.2 | 100 |
| | Excellent | 42.4 | 5.1 | 17.2 | 35.4 | 100 |

Note: * $p < .05$, *** $p < .001$

Workers leave the workforce with varying levels of choice and this choice can impact on their retirement preparations, financial security and quality of life. Indeed, Australian research (de Vaus et al., 2007) has shown that personal choice in the decision to retire is more important for psychological health than whether the transition is abrupt or gradual. Noone et al.'s (under review) analysis of the ABBA survey

data showed that of the 304 retirees, only half had “a lot” of control over their decision to leave the workforce while one third had “very little” choice in their retirement. One focus group participant identified in van Holsteyn's research stated, “I was virtually forced to retire. I moved three metres of gravel and couldn't straighten my back.” Noone et al.'s (under review) research showed that involuntary retirees

Table 4. Relationships Between SES and Timing of Retirement according to Retirement Status

| | | | Gradual retirement | Abrupt retirement | Total |
|----------------|-----------|-------------------|--------------------|-------------------|-------|
| | | | % | % | % |
| Gender | Retired | Male | 28.0 | 72.0 | 100 |
| | | Female | 31.7 | 68.3 | 100 |
| | Worker | Male | 69.6 | 30.4 | 100 |
| | | Female | 63.3 | 36.7 | 100 |
| Occupation | Retired | White | 35.2 | 64.8 | 100 |
| | | Blue | 27.1 | 72.9 | 100 |
| | Worker*** | White | 73.8 | 26.2 | 100 |
| | | Blue | 60.5 | 39.5 | 100 |
| Income | Retired | >\$75K | 36.5 | 63.5 | 100 |
| | | <\$75K | 28.1 | 71.9 | 100 |
| | Worker | >\$75K | 65.9 | 34.1 | 100 |
| | | <\$75K | 67.1 | 32.9 | 100 |
| Education | Retired | HS or less | 31.7 | 68.3 | 100 |
| | | Trade or tertiary | 28.3 | 71.7 | 100 |
| | Worker** | HS or less | 58.7 | 41.3 | 100 |
| | | Trade or tertiary | 70.8 | 29.2 | 100 |
| Marital Status | Retired | Married/de facto | 29.5 | 70.5 | 100 |
| | | Single | 30.9 | 69.1 | 100 |
| | Worker | Married/de facto | 66.5 | 33.5 | 100 |
| | | Single | 66.9 | 33.1 | 100 |
| Health status | Retired | Fair/poor/good | 27.1 | 72.9 | 100 |
| | | Very good | 32.9 | 67.1 | 100 |
| | | Excellent | 38.2 | 61.8 | 100 |
| | Worker | Fair/poor/good | 64.8 | 35.2 | 100 |
| | | Very good | 69.4 | 30.6 | 100 |
| | | Excellent | 67.0 | 33.0 | 100 |

Note: **p<.01, ***p<.001

Note HS = High School, K = thousand

were characterised by lower levels of income, being female, living without a partner, poor health, and lower life satisfaction. Not surprisingly, involuntary retirees were also more likely to have retired abruptly. Table 5 shows that retirees forced into retirement were more likely than voluntary retirees to retire due to health reasons (either their own or a spouse's) and much less likely to retire due to family and lifestyle reasons. However, there was no relationship between the nature of the retirement decision and retiring for job related reasons.

Qualitative findings on retirement decision making

In his doctoral research, van Holsteyn argued that the process of retirement starts with an initial decision that leads to an ongoing and lengthy flow of decision making. This decision making may take the form of trial and error as shown in one woman's experience with her retirement:

“ I decided to take a break and go back into education ... (and) I finished up with the police job at the end of last year and decided to go overseas ... I've done some casual teaching and now I'm trying to decide whether I want to do it casually or do it one day every week. ”

However, not all participants were privileged with this level of autonomy in their decision making. For example, one participant stated:

“ Retirement was thrust upon me and there was absolutely no planning,.... You wake up one morning and you're out of a job and you think well what are you going to do? ”

Difficulty in decision making was contrasted with

the experience of the previous generation of retirees who, as one participant said, did not have the term “retirement planning” in their vocabulary. For example, one other participant stated:

“ She (the participant's mother) hadn't been used to making big decisions (about retirement) and it stressed her... So it's different. I think I've been forced to make more decisions than my parents ever did. ”

Amongst other findings, van Holsteyn also showed that the decision to retire was emotionally laden in some instances, and made with varying levels of certainty:

“ So I decided to retire and the main reason I decided to retire, or one of the reasons, I was fed up with working because I've worked, well it was 47 years. I was just fed up with going to work. ”

and

“ The freedom that you're talking about is probably the bit that sometimes scares me because I'll have a day where there's nothing to do and I'll think I don't know what to do. ”

Van Holsteyn's qualitative findings echo the importance of personal autonomy identified in the ABBA survey data, but also highlight the emotions, complexities, and even fear surrounding the decision to retire. For example, many baby boomers must contend with superannuation and personally financing their retirement, while some will also have to consider what they will do in retirement or even if retirement is actually what they want.

Table 5. Reason for Retirement According to Level of Control Over the Decision to Retire (Retirees Only)

| | Financial reasons % | Job related reasons % | Health reasons % | Family and lifestyle reasons % | Total % |
|----------------------|------------------------|--------------------------|---------------------|-----------------------------------|------------|
| Involuntary retirees | 4.6 | 13.0 | 74.1 | 8.3 | 100 |
| Voluntary retirees | 9.6 | 11.2 | 28.7 | 50.6 | 100 |

$\chi^2 (3) = 67.2, p < .00.1$

Effects of retirement process on well-being

The final part of this section focuses on the ABBA Project's 304 retirees to examine how different components of the retirement process are related to retirement outcomes including life satisfaction, optimism for retirement, productivity, and chronic disease.

Table 6 provides a summary of the statistically significant relationships and readers are directed to Noone et al.'s (under review) manuscript for further details. Firstly, a gradual rather than an abrupt retirement had no impact on retirement activity levels, health and well-being or financial security in retirement. Conversely, those who retired involuntarily were disadvantaged on each of the retirement outcomes considered here. The reason for retirement was associated with all the outcomes except volunteer activity and retirement preparedness. Those who retired for health reasons were more likely to report a decrease in physical activity, greater disease co-morbidity, and lower optimism and life satisfaction, and were less likely to perceive having enough money for retirement. These relationships were reversed for those who retired for lifestyle or family reasons. For example, an increase in physical activity was more likely among those who retired for lifestyle reasons than those who retired for other reasons. These findings suggest that control over the retirement decision plays a greater role in health and well-being, productivity, and financial stability in retirement, than the pathway into retirement or the

way people retire. For example, retiring for health reasons and lifestyle and family reasons most likely reflect decisions based on necessity and desirability respectively.

Summary

The process of retirement can involve a flow of decision making characterised by uncertainty and intensive planning in some cases or an abrupt event characterised by emotion and/or a lack of choice in others. Workers also move into retirement for different reasons and at different rates. For example the majority of workers (60%) expected to have a gradual retirement rather than an abrupt exit from paid work. Of particular interest was the relatively low proportion of workers (4.5%) expecting to have to retire due to redundancy compared with retirees who actually did leave work for this reason (12.1%). This difference may reflect workers' optimism in their job security or perhaps the necessity to find alternative employment in case of a forced redundancy. This difference may also have been reflected in the relatively high proportion of workers (43%) who expected to retire when they could afford to.

Gender had less of an impact on the retirement process than expected, while factors such as income, occupation, marital status, and health predicted different reasons for retirement and different levels of choice in the retirement decision. These factors represent areas of advantage and disadvantage that may dictate reasons for retirement and the amount

Table 6. Significant Relationships Between the Retirement Process Variables and Retirement Outcomes (Retirees only)

| | Abrupt versus gradual retirement | Reason for retirement | Voluntary versus involuntary retirement |
|---|----------------------------------|-----------------------|---|
| Social activity increased in retirement | - | - | ✓ |
| Physical activity increased in retirement | - | ✓ | ✓ |
| Currently volunteering | - | - | ✓ |
| Less disease co-morbidity | - | ✓ | ✓ |
| Optimistic about the future | - | ✓ | ✓ |
| Satisfied with life | - | ✓ | ✓ |
| Was prepared for retirement | - | - | ✓ |
| Has enough money for retirement | - | ✓ | ✓ |

of choice retirees had in their retirement. In general, those with fewer health and economic resources were more likely to retire or expect to retire due to poor health and with little personal choice than those with better health and higher resources.

For retirees, the reason for retirement and the level of choice in retirement were related to productivity, health, and financial stability. However, a gradual rather than abrupt retirement had no influence on these retirement outcomes, corroborating de Vaus and colleagues' (2007) earlier findings. This result suggests that personal autonomy in the retirement process is more important than retirement timing per se. In other words, those who choose to retire gradually may experience better retirement outcomes than those forced into a prolonged retirement process, while those who choose to retire abruptly will experience better outcomes than those forced into a hasty retirement.

Identifying the key factors in retirement preparedness and its impacts on quality of life outcomes after retirement.

Preparing for retirement has been identified as one way that baby boomers can protect their health, wealth, and well-being in later life (Schellenberg, Turcotte, & Ram, 2005; Topa, Moriano, Depolo, Alcover, & Morales, 2009). Snoke (2012) conceptualised financial preparedness for retirement as a state of security comprising both objective (e.g., retirement income) and subjective financial security (i.e., perceptions of financial wellness). Making this distinction leads to a better understanding of how boomers construct financial security and clarifies not only the financial resources they will need for retirement but also how they expect to use these resources in the future. Accordingly, this section draws on both objective and subjective indicators of retirement preparation to determine how preparedness for retirement relates to life satisfaction for retirees in varying circumstances, the extent to which working boomers are preparing for retirement, and the factors which influence their preparatory activities.

How is preparedness related to retirement outcomes?

Retired boomers were asked four questions about their retirement preparation in the national survey: How much they had planned financially; how much they had discussed retirement planning with family, friends, and co-workers; how informed they felt regarding what they needed for a happy and successful retirement; and how well prepared they were for retirement overall. Based on these questions, Noone et al.'s (under review) research showed that retired boomers' retirement preparation was strongly associated with their life satisfaction. This relationship remained statistically significant after accounting for differences in household income, education, gender, marital status, age, and the number of years spent in retirement.

While these results are consistent with the existing international literature, less is known about the preparation and life satisfaction of boomers who had little choice in their retirement. This is an important area of study as Government policy aims to promote workforce longevity; however, boomers in poor health may not have this option. As mentioned above, 30% of the retired boomers in the ABBA sample had very little choice in their retirement and a further 20% felt that their retirement was only partly their choice. Noone et al. found that these involuntary retirees were less prepared for their retirement and also less satisfied with their life than voluntary retirees. However, the preparatory behaviours of involuntary retirees, while restricted, were still associated with greater life satisfaction in retirement than no preparation.

Australian research indicates that women are more likely than men to retire involuntarily due to caregiving commitments to ageing parents, grandchildren, or an incapacitated spouse, whereas poor health tends to force more men out of paid work (Australian Bureau of Statistics, 2011). While the survey data did not show any gender differences in preparedness, satisfaction, or in the reason for an involuntary retirement, the research showed that preparedness was associated with life satisfaction for both men and women regardless of whether they retired voluntarily or involuntarily, even when controlling for socioeconomic and demographic factors. Thus, Noone et al. argued

that retirement policy and initiatives should look at facilitating the retirement preparations of those facing an involuntary retirement, including current caregivers and those with health problems, as it these groups that may benefit the most.

Noone et al.'s research also assessed three theoretical pathways to better understand how retirement preparation can lead to life satisfaction. For example, life-cycle economic theory (Ando & Modigliani, 1963) posits that people seek to smooth their income over the lifespan and that preparing financially for retirement enables them to maintain their standard of living. Taylor and Doverspike's (2003) psychological theory suggests that retirement preparation can lead to positive outcomes by promoting confidence and optimism towards retirement and by clarifying expectations of retired life. Finally, activity theory argues that people prepare for retirement by developing social, physical, and mental activities to replace the worker role (Rosenkoetter & Garris, 2001). The results of the current study indicated that each of these theoretical pathways played a role in explaining the relationship between preparedness for retirement and life satisfaction. This suggests that any approach to facilitating planning for retirement should focus not only on finances, but also on establishing confidence in retirement and maintaining activity levels.

How prepared are working baby boomers for retirement?

Given the importance of retirement preparation for retired boomers' life satisfaction, the ABBA project sought to determine the extent to which working boomers are preparing for their own workforce exit. The sample of working baby boomers was asked how much they were planning financially for retirement

and how much they were discussing retirement planning with their family, friends, and co-workers. The survey data showed substantial variation in levels of financial planning for retirement. Table 7 indicates that approximately 22% of workers were doing "very little" financial planning for retirement, while a similar proportion was planning "a lot". Levels of financial planning were also similar across men and women as indicated. Baby boomers also varied in the extent to which they talked about retirement planning with others. For example, approximately one quarter of workers strongly disagreed with the statement: "I often discuss retirement planning with friends, family and co-workers" compared with 37% who either agreed or strongly agreed with the same statement.

How are working boomers preparing financially?

According to Figure 1, 54% of working boomers expected superannuation to be their main source of income and 21% expected their retirement to be mainly funded by the Age Pension. A much smaller proportion expected that personal savings, paid employment, rent, or sale/refinancing a home would be their primary income source. Figure 1 also shows that women were significantly more likely than men to be dependent on the Age Pension, while more men than women expected superannuation to be their main income source (See Noone, O'Loughlin, & Kendig, in press, for further details).

The findings also showed that almost half of the working boomers (n=328) expected to have only one source of income. For this group, 52% expected to rely entirely on superannuation and 25% on the Age Pension. Of those expecting to have a single income source in retirement, women expected to be more reliant on the Age Pension whereas men expected to be more reliant on their superannuation.

Table 7. Levels of Financial Planning According to Gender (Workers Only)

| | Very little | A Little | Reasonable amount | A lot | Total |
|-------|-------------|----------|-------------------|-------|-------|
| | % | % | % | % | % |
| Men | 21.7 | 15.9 | 40.1 | 22.3 | 100 |
| Women | 22.3 | 19.9 | 41.3 | 16.5 | 100 |

x² (3) = NS

Figure 1. Primary source of income according to gender (workers only) $\chi^2(6) = 16.09, df=6, p=.01$.

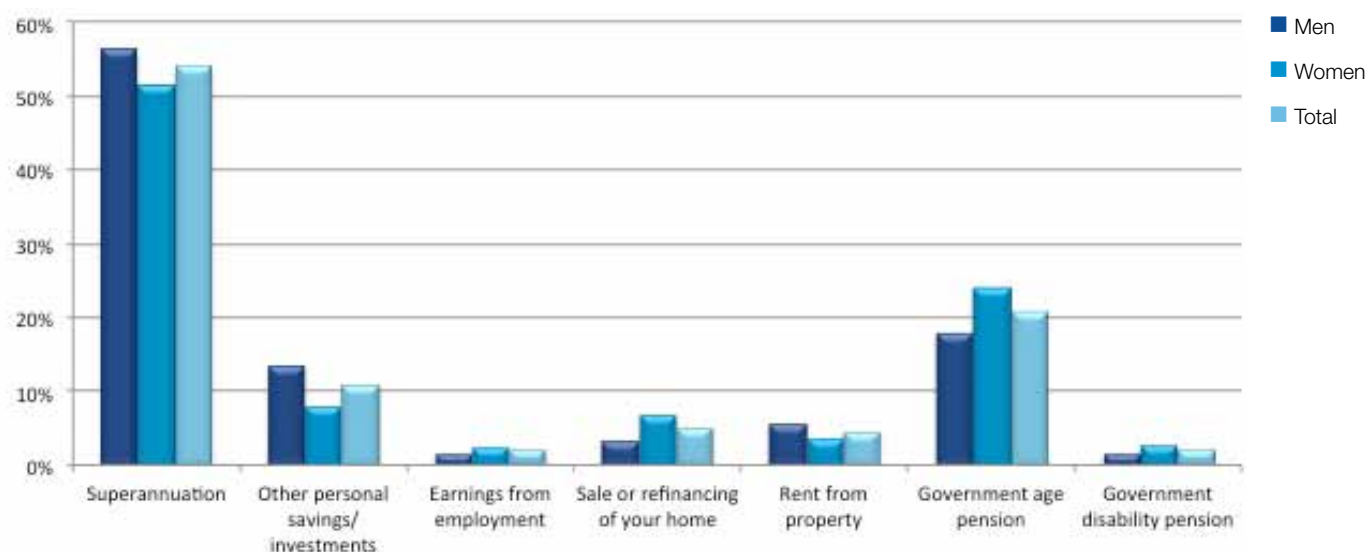
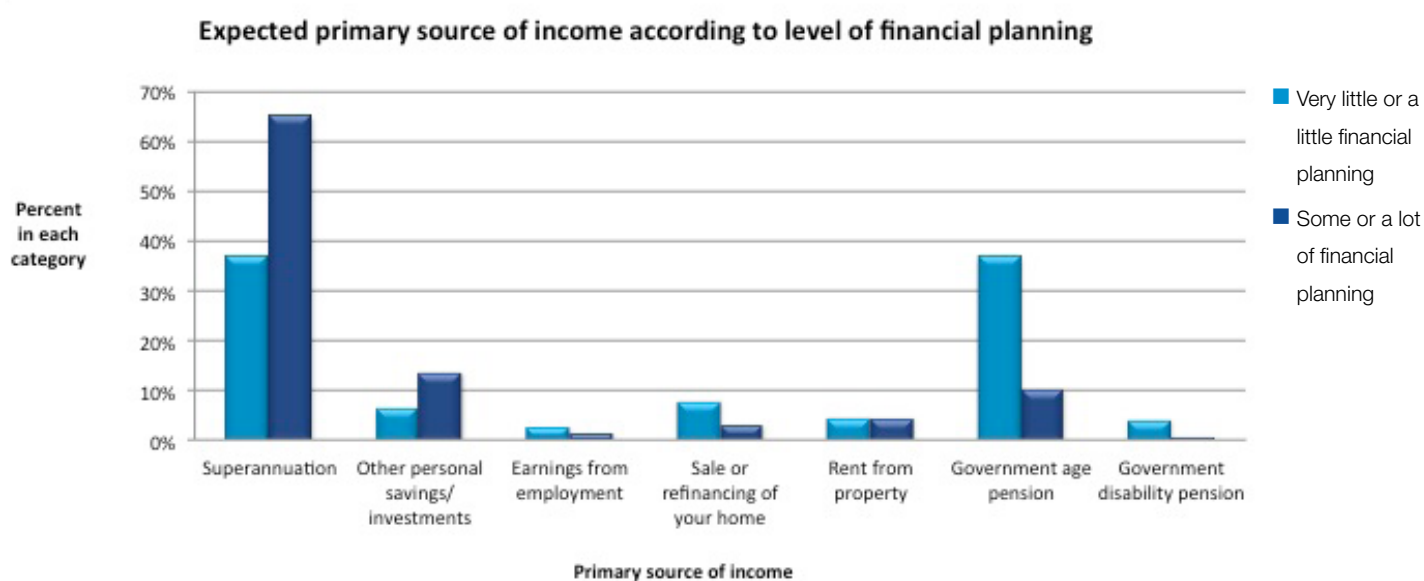


Figure 2. Expected primary source of income according to level of financial planning (workers only). $\chi^2(6) = 105.04, df=6, p<.001$.



For working boomers, higher levels of financial planning were associated with an expectation that superannuation would be their primary source of retirement income. In contrast, those who had done less planning expected to be more reliant on the Age Pension or a Government disability pension.

What factors differentiate those who are prepared for retirement and those who are not?

Those who retire involuntarily tend to be less prepared for retirement than those who retire voluntary, but this is just one factor that can impact on financial preparation. For example, Snoke's (2012) research with the HILDA data survey showed that boomers

with the lowest levels of subjective and objective financial security tended to be younger women who were living alone. This was particularly apparent for those with relatively low levels of education and income and those who did not own their own home. Likewise, Noone et al.'s (in press) research showed that high income and good health were associated with higher levels of financial planning among working boomers, as was a more future-orientated thinking style and greater knowledge of the Australian superannuation system. Moreover, these predictors of financial planning for retirement were also inter-related. Wealthier boomers were more

future orientated and also had greater knowledge of superannuation benefits such as the tax-free bonus. However, financial knowledge and future-orientated thinking still predicted financial planning after accounting for differences in household income, education, occupation, marital status, and health. Therefore, effective financial planning is not only about wealth, but also the psychological resources and the financial knowhow to plan effectively. Those with less wealth may still have the psychological resources and financial knowhow to plan for retirement and should be the focus of further research.

Summary

The research has shown that preparation for retirement is associated with retirement satisfaction after controlling for socioeconomic status, demographics, health status, and an involuntary versus voluntary exit from the workforce. The preparatory activities of those in precarious employment situations is an understudied area, but these results indicate that retirement policy and planning initiatives should focus on older workers with caregiving responsibilities (usually, but not always women) and those in poor health (usually, but not always men). These groups may benefit from the facilitation of their financial planning especially considering that economic disadvantage need not exclude boomers from preparing financially. In these instances, knowledge of Australia's superannuation system and psychological resources, may compensate for disadvantages in health and wealth. However, the findings also suggest that the promotion of financial planning should not just be restricted to disadvantaged groups. Approximately 40% of the working baby boomers surveyed were doing little or very little financial planning for retirement, and even fewer were talking about retirement finances with their spouse and family members. These results suggest

that both targeted and general retirement planning initiatives are required. For example, public awareness of women's relatively low levels of superannuation could be extended to include caregivers and those in poor health, while promotion of superannuation including knowledge of tax benefits may increase levels of financial planning for all Australian workers.

Identifying boomers' expectations for, and experiences of, retirement and the active strategies by which they attempt to achieve their retirement goals.

Contrasting workers' expectations of retirement with retirees' experiences

Differences in workers' expectations of retirement and retirees' actual experiences were an enduring characteristic of the survey data. In addition to the discrepancies in the reason for retirement, we also found similar patterns in retirement living standards, activity levels in retirement, voluntary activity, and retirement finances. For example, Table 8 shows that 88% of workers expected their levels of physical activity to remain the same or increase in retirement compared to 74% of retirees who experienced either no change or an increase. Likewise, approximately 80% of participants expected to undertake volunteer work in retirement compared to only 40% of retirees who are actually volunteering. However, these relationships only remained significant for those in poor, fair, or good health (as opposed to very good or excellent health). In other words, workers' expectations for retirement matched retirees' experiences when both groups were in good health. But for those in poor health, workers' expectations appeared relatively optimistic compared with retirees' experiences. In addition, when the retirees left the workforce, almost two thirds had expected to have

Table 8. Workers' Expectations and Retirees' Experiences of Retirement Activities and Financial Stability.

| | Maintain or increase physical activity | Maintain or increase social activity | Volunteering | Primary income source (self versus govt. funded) | Will have enough money for retirement | Change in living standards (decrease – increase) |
|-------------------------|--|--------------------------------------|--------------|--|---------------------------------------|--|
| | % | % | % | % | % | Mean (SD) |
| Workers (expectations) | 88.0 | 92.5 | 80.1 | 76.7 | 47.5 | 2.48 (.73) |
| Retirees (experiences)t | 74.0*** | 77.0*** | 41.8*** | 64.1*** | 64.8*** | 2.61 (.90)* |

enough money for retirement. This contrasts with only 50% of workers who felt they would have enough money when they came to retire. It appears that workers are relatively optimistic about the non-financial aspects of their retirement, but hold more pessimistic views about their future finances than retired people. Relatively pessimistic views of retirement finances are likely to be a result of the GFC, which reduced superannuation balances by up to 25% (for further details see Humpel, O'Loughlin, Snoke, & Kendig, 2010; Kendig, Wells, O'Loughlin, & Heese, under review; O'Loughlin, Humpel, & Kendig, 2010).

Gender differences in retirement expectations

Research shows that women's lower socioeconomic status and the structural barriers they face throughout the life course can impact on their health, well-being, and financial security in later life (Ong, 2009; Jefferson & Ong, 2010). For example, late-middle aged women are generally less educated than men, tend to experience more disruption to their careers due to family demands, and are more likely to have worked in part-time and lower status positions (Olsberg, 2005). Early disadvantages impact negatively on their pre-retirement resources including personal income, ability to plan financially for retirement, and perceptions of retirement (Noone, Stephens, & Alpass, 2010a). As a result, women enter retirement with less wealth but greater life expectancy than men, and the resultant higher risk of extreme poverty in later life.

O'Loughlin, Noone, and Kendig's (under review) research aimed to determine how pre-retirement resources explain the relationships between earlier socioeconomic exposures and workers' expectations of their future finances, health, and unpaid productivity. Firstly, the results showed that for the exposure variables, women were disadvantaged in terms of their socioeconomic status and were more likely to be single, working part-time, and providing care for a sick relative. In terms of pre-retirement resources, women had lower household incomes, but higher levels of self-rated health. Unexpectedly, no gender differences were found in levels of financial planning or optimism for the future. For retirement expectations, women were more pessimistic

about their financial stability in retirement, but more optimistic about their future health status, activity levels and volunteer activities in retirement than men. Further analysis indicated that the relationship between life exposures and retirement expectations was mediated by pre-retirement resources, but in different ways for men and women. For example, although optimism emerged as the most consistent explanatory factor for both men and women, its effects on retirement expectations were stronger for women than for men.

O'Loughlin et al. conclude that differential life exposures for men and women can impact on their pre-retirement resources. In turn, differential resources play a role in explaining women's more negative financial preparations for retirement. However, women's greater expectations for increased physical activity, volunteer activity, and good health in later life, were unexpected findings that warrant further research. More broadly, these findings indicate that while boomers were well aware of the unstable economy, financial resources appeared to have less impact on their expectations of how they would spend their time in retirement and how healthy they expected to be in later life. Thus, although health, wealth, and use of time appear to go hand in hand, they were distinctly separate components of boomers' retirement expectations.

Expectations of health care

The ABBA survey data indicated that current health status was a particularly important factor for life satisfaction in the process of retirement, retirement preparation, and expectations for good health and expected longevity (Wilson, Black, Kendig, & O'Loughlin, in preparation). Continued access to health services and aged care may have an important role in maintaining boomers' health status, as well as their paid and unpaid productivity and well-being in later life. Wells, Kendig, and O'Loughlin (under review) drew on the ABBA survey data to examine retired and working boomers' confidence in being able to afford access to health services, including prescription drugs and visits to their GP as well as good quality aged care in the future. Wells et al. (under review) also examined how confidence may be affected by socioeconomic status, health, and demographic factors including gender, age and marital status.

Boomers were, in general, quite confident they would have access to good quality health care and be able to afford their future medical expenses, prescription drugs, and long term care. Financial resources, including household income and financial stability following the GFC, were the most consistent predictors of health access and affordability confidence, closely followed by health resources (e.g., self-rated health and perceived life expectancy). Other predictors included male gender, having a partner, being retired and being optimistic about the future.

Wells et al also argued that optimism—a psychological construct—might explain the relationship between individual resources and confidence in future health care. They found that optimism played a role in explaining some, but not all, of the relationships between individual resources and confidence. For example, those living without a partner were less confident than those who had a partner that they would be able to afford health care in the future and this relationship was entirely explained by their lower levels of optimism. Self-rated health and having private health insurance also acted as explanatory variables but, for the most part, optimism did not play a large explanatory role.

Wells et al. concluded that psychological factors (e.g., optimism) work alongside life circumstances in affecting confidence in health care, rather than explaining why life circumstances can lead to differences in health care expectations. The findings also point towards the relatively small group of people with little confidence in their access to and affordability of health care in the future. Of note, approximately 17% were not at all confident they would be able to afford long term care, and it is these groups that may benefit from retirement preparation which enables people to access information on health and potential health benefits, community services, and further support.

Summary

Workers' expectations of their retirement finances were more pessimistic than retirees' experiences. However, workers' expectations of activity levels and unpaid productivity were more optimistic than were those of retirees. These differences between workers and retirees were particularly pronounced for those

who were in relatively poor health. This suggests that unmet expectations can be expected for workers who are forced into retirement due to poor health or redundancy.

Pre-retirement resources and life experiences including education, occupational status, health and income shape expectations for retirement. O'Loughlin et al.'s (under review) results indicated that women were disadvantaged economically and that this impacted on their financial expectations for retirement. However, women appear to be in better health than men and this is likely to impact on their levels of physical activity and continuing health in the future. Therefore, the challenges for men moving into retirement may be to improve or maintain their health, while women may need to focus on their retirement finances to make sure their gains in longevity are not offset by extreme poverty in later life. Affordability of future healthcare is one specific area of concern, especially considering that 17% of boomers do not believe they will be able to afford aged care.

Assess how expectations for retirement are shaped by the economic, social, and policy context in Australia as contrasted with the United States

Longitudinal research with HILDA data (Snock, 2012) has showed that in the last decade baby boomers in Australia have gone through periods of economic recovery (2001-2003), economic growth (2003-2007), and recession (2007–2009). According to Snock, the first two periods were characterised by increases in objective and subjective financial security while the last period was marked by significant decreases in security. Snock argued that these period effects illustrate how the economic and policy context can shape boomers' decision-making and preparations for retirement. For example, findings in the Ageing Baby Boomers in Australia: Understanding the effects of the global financial crisis (GFC) report (National Seniors Australia, 2012) showed that the economic downturn caused by the GFC has led boomers to prolong their working careers and reduce their spending (See Humpel et al., 2010; O'Loughlin et al., 2010 for further details). Boomers in 2009 were also found to be less certain about the future than in the

pre-GFC period and more frustrated with a perceived lack of time to generate enough superannuation to fund their own retirement. This report also showed that the negative effects of the GFC were strongest for women, those with relatively poor health, and those with limited economic resources, while those with defined benefit pension plans were relatively less affected.

Based on their review of the American experience (e.g., Sass, Monk, & Haverstick, 2010; Hurd & Rohwedder, 2010), Kendig et al. (In Press) concluded that post-GFC American boomers had concerns for their financial security that matched those of Australian boomers. For example, they cited an American Association of Retired Persons survey (Rix, 2011) which indicated that 20% of older workers were withdrawing retirement funds earlier than anticipated and expected a drop in their retirement living standards. Although the GFC has undoubtedly affected retirement preparations and expectations in both countries, Kendig et al. have argued that different political and economic contexts leading up to and following the GFC have played a role in Australia's relatively strong recovery compared to the US.

The results from the 2009 ABBA survey indicated that, notwithstanding the negative effects of the GFC on the Australian economy, many retired and working boomers were satisfied with their financial situation and relatively optimistic about the future (Kendig et al., In Press). Kendig et al. argued that Australia's relatively favourable recovery may be attributed to the steps taken after the GFC by the then Rudd-led government, including a strong fiscal stimulus package, an increase in pension levels, the relaxation of means testing for the Age Pension, and providing financial incentives to stay in the workforce for longer (see also Snoke et al., 2011). They suggested that Australia's resources boom and a relatively stable housing market have also played a role in economic recovery. This was contrasted with comparatively high rates of post-GFC unemployment in the United States, a ten trillion dollar loss in housing wealth, fears over access to health care prior to Medicare eligibility, and a projection that the majority of American baby boomers will be dependent on social security in retirement (see Rosnick & Baker, 2010).

Kendig et al. also argued that one of the most enduring impacts of the GFC has been seen in subsequent actions taken by boomers themselves. Australian boomers are reducing personal debt and previous trends towards an "early" retirement are slowing and reversing as more people remain in paid employment for longer. Another financial strategy, reported by many boomers in the survey and focus group interviews, was to simply spend less during difficult times. For example, van Holsteyn (doctoral thesis) found that maintaining a positive attitude was a common coping mechanism, as indicated by this comment from a participant:

“ One never knows what's around the corner now, so keep an optimistic attitude; it will sort itself out one way or the other. Just live within whatever means I've got at the time, whatever it may be. ”

In summarising lessons learned by boomers during the GFC, Kendig et al. pointed to the value of a cautious approach with personal finances, living within one's means, and working and saving longer. Apprehension about the Australian government's capacity to provide financial support, together with the increased level of the Superannuation Guarantee, may prove useful in preparing boomers for future financial crises should they occur.

Conclusions

The Ageing Baby Boomers in Australia (ABBA) study was conducted in order to understand better how baby boomers' experiences and expectations for retirement could be very different from those of people who are already in later life. As contrasted with their parents' generation, the large cohort of baby boomers has had significant educational and employment advantages and high aspirations for personal and economic well-being in later life. However, their years as ageing workers and recent retirees have been hit by the shock of the GFC and growing concern about increasing longevity and the fiscal costs of population ageing. An overall conclusion from the ABBA study was that baby boomers have demonstrated considerable adaptability to challenging economic and social change.

Three major and inter-related themes have emerged concerning diversity among Australian baby boomers and their retirement expectations and experiences: these are the importance of good health, economic resources, and personal autonomy. Each of these factors influences the process of retirement, how people prepare for retirement, their experiences of retirement, and what they can expect in the future. Boomers' varying experiences of work and retirement are also influenced by the employment markets and public policies which can shape individuals' avenues for early retirement as well as opportunities (or imperatives) to stay in paid work.

Poor health was identified as a reason for retirement in almost half of the retirees surveyed; an event which was also characterised by abruptness and a lack of choice. Health also impacted on retired boomers' preparations for retirement and their expectations for productivity, health, and access to health care services in retirement. Higher levels of economic resources allowed some boomers to retire for family and lifestyle reasons, prepare adequately for retirement and to be self funded in retirement rather than relying on the Age Pension. Greater economic resources, including outright home ownership and savings and superannuation, were also important in optimism towards retirement. Together, good health and economic resources can enable greater autonomy over the retirement process, better preparation for retirement, and greater productivity and activity levels through later life.

Women are one group at risk of having inadequate economic resources, but they were more likely to be in better health than men. Notwithstanding these gender differences, women and men were equally satisfied with their lives, were equally optimistic about the future, and were undertaking the same level of financial planning. Women's lower levels of financial security are evidenced by their greater reliance on the Age Pension. Men's health risks are factors in their capacities to keep working and to remain active after retirement. Women's relative financial insecurity may become problematic in the future when their health status declines. Furthermore, not all men are wealthy and not all women are in good health, so broad gender categories are not sufficient for understanding how economic and other forms of disadvantage may operate to affect retirement outcomes.

Diversity in resources and resultant experiences and aspirations are clearly evident across the older baby boomers examined in the ABBA project. Further differences can be expected as younger boomers approach later life in the economic and social conditions that evolve over the next decade. Therefore, future research and policy must continue to recognise change and variations in order to better understand how older workers and recent retirees are influenced by individual circumstances and social and economic contexts alike. Especially important is continued attention to boomers' voices to inform advocacy and policy developments that will enhance well-being in later life and enable constructive responses to population ageing. Rising concern for intergenerational equity (Australian Government, 2010) needs to be balanced by social and public actions that enable ageing baby boomers to maintain their health, independence, and contributions within and beyond the paid workforce (Kendig, 2010).

The Federal Government's response (2012) to the Final Report on the Economic Potential of Senior Australians (2011) does go some way towards addressing constructively an ageing society. Investments in a range of anti age-discrimination measures including financial support for employers, commitments to further education and training for older workers, increased funding for research on age discrimination, and planned changes to anti-discrimination policy are all aimed at retaining older workers. Further research is needed to evaluate these programs and to continue developing Australia's knowledge base as the baby boom generation continues to move through changing economic and social conditions.

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Note: The symbol “*” represents outputs from the ABBA Project.

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Appendix A: Outputs from the ABBA project

Journal articles and manuscripts under review

- Humpel, N., O'Loughlin, K., Wells, Y., & Kendig, H. (2009). Ageing baby boomers in Australia: Evidence for informing actions for better retirement. *Australian Journal of Social Issues*, 44(4), 399-415.
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The National Seniors Productive Ageing Centre is an initiative of National Seniors Australia and the Department of Health and Ageing to advance research into issues of productive ageing. The Centre's aim is to advance knowledge and understanding of all aspects of productive ageing to improve the quality of life of people aged 50 and over.

The Centre's key objectives are to:

- Support quality consumer oriented research informed by the experience of people aged 50 and over;
- Inform Government, business and the community on productive ageing across the life course;
- Raise awareness of research findings which are useful for mature age people; and
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